
Minority Business Enterprises Mastering the Supply Chain: A Perspective

Minority business enterprises (MBEs) are a rapidly growing and increasingly important segment of the U.S. and global economy. However, despite an impressive growth in the number of U.S. minority firms, MBEs must increase their scale and economic viability to compete effectively in the global economy.

“Minority Business Enterprises Mastering the Supply Chain: A Perspective” illustrates how MBEs can grow their companies, and cope with the challenges of national and global competition, such as global sourcing and supplier consolidation, through their participation and mastery of the three levels of supply chain management:

Level 1 . Managing the fundamentals of the supply chain

Supply chains exhibit remarkable variation, but they can be categorized based on two types of uncertainty or risk. In Exhibit 1, the framework distinguishes supply chains by risk type (demand and supply) and divides supply chains into four categories. By identifying the problems of these supply chain categories and implementing solutions MBEs can remain competitive. See exhibit 1 and 2.

Level 2 . Selling the value of a shorter and more reliable supply chain

MBEs can address global sourcing or supplier consolidation by using supply chain mastery to find new business opportunities. In the case of global sourcing, minority entrepreneurs can present their companies as a valuable alternative to low-cost suppliers in distant countries. For supplier consolidation, entrepreneurs can develop a customized value proposition for buyers rather than emphasize cost in the narrowest terms. Both approaches refocus negotiations from price to total value.

Level 3 .Transcending today’s supply chain

Minority entrepreneurs need to acquire the skills to transcend today's supply chain by migrating to higher value positions and markets, addressing escalating expectations from clients, and assembling value through partnering, merging, or acquiring other businesses. In addition, MBEs can invent new supply chains and become leaders of their respective industries.

Case Studies

Through several case studies, the paper also highlights MBEs that have developed and mastered these techniques and have gained economic advantages over their competitors. Companies such as Intraline, D.W. Morgan, Aspen Group, Liberty Power, and Lakota Express, are benefiting from the understanding of where their companies fit within the life cycle of their supply chains and anticipating how the value propositions within their business will change due to competition and innovation. Aspen Group and DW Morgan, among other MBEs, are partnering with other firms to grow and gain access to new opportunities created by escalating business expectations. Minority businesses such as Lakota Express, often out of necessity, are taking the most innovative and entrepreneurial step – reinventing the supply chain. If other minority entrepreneurs learn to master their supply chains, economic prosperity can be enhanced in communities throughout the nation.

Exhibit I: Modified Uncertainty Framework – Due to Lee (2002)

Supply/ Demand Risk	Demand: Low Risk (Functional Products)	Demand: High Risk (Innovative Products)
Supply: Low Risk (Stable Processes)	Box 1	Box 2
	<p>Established production and distribution processes</p> <p>Established products and established markets</p> <p><u>Current examples:</u> Boxed pasta, breakfast cereals, athletic socks</p>	<p>Established production and distribution processes</p> <p>Leading-edge products or new markets</p> <p><u>Current examples:</u> Desktop computers, fashion apparel</p>
Supply: High Risk (Evolving Processes)	Box 3	Box 4
	<p>Established products that satisfy basic needs</p> <p>Unreliable or easily-disrupted production and distribution processes</p> <p><u>Current examples:</u> Cutting-edge technology and some agricultural products</p>	<p>Leading-edge products or new markets</p> <p>Unreliable or easily-disrupted production and distribution processes</p> <p><u>Current examples:</u> High end servers, nanotechnology products</p>

Exhibit 2. Supply Chain Problems and Solutions

Box 1	Box 2
<p>PROBLEMS</p> <ul style="list-style-type: none"> - The bullwhip effect <p>SOLUTIONS</p> <ul style="list-style-type: none"> - Alignment of incentives and information among supply chain partners - Coordinated planning, forecasting and replenishment (CPFR) - Vendor managed inventory (VMI) 	<p>PROBLEMS</p> <ul style="list-style-type: none"> - Long and uncertain development and lead times - Highly uncertain demand patterns - Short selling season <p>SOLUTIONS</p> <ul style="list-style-type: none"> - Mass customization - Postponement of final customization - Early orders from customers
Box 3	Box 4
<p>PROBLEMS</p> <ul style="list-style-type: none"> - Highly uncertain supply - Disruption risk in supply <p>SOLUTIONS</p> <ul style="list-style-type: none"> - Pooled inventory and resources - Exchanges to extend reach of suppliers & inventory - Contracts that manage risk by locking in factors such as price and delivery 	<p>PROBLEMS</p> <ul style="list-style-type: none"> - All problems associated with Boxes 1 to 3 <p>SOLUTIONS</p> <ul style="list-style-type: none"> - Postponement of final customization - Pooling of suppliers to hedge uncertainty - Platforms and modular designs that allow for postponement of final customization